

HOW MANY SECOND HOMES ARE THERE?

In recent years, many observers have noted a rapidly expanding market in second homes, while predicting that the real explosion in second home sales is yet to come. For example, *BusinessWeek* reports, “Low mortgage rates are stoking the boom, but there’s more. A dreary stock market is prompting some to snap up second and even third homes to diversify their investments. Demographics is also a factor, with baby boomers hitting middle age, when people traditionally buy a second residence” (Scherreik 2002, 90). Yet relatively little information is available on the second home market. For example, one industry publication cites seemingly contradictory second home figures of 3.8 million and 6.4 million on the same page (www.homeaccentstoday.com). Just how many are out there? This article discusses the mundane but difficult task of measuring the stock of second homes.

Survey researchers typically employ one of two methods to count the number of a second homes. In a sample of households, the survey can identify how many households include people who own second homes. Or in a sample of properties, the second homes can be identified by asking an informant (such as a neighbor) the status of a vacant unit—for example, if it is for rent or occasional use. Each measure defines the notion of a second home in different, but equally reasonable, ways. The intention here is not to offer a new, a priori definition, but rather to describe what can be (and has been) measured.

Identifying Second Home Owners

From 1985 to 1995, the American Housing Survey (AHS) included questions about the ownership of second homes by household members.¹ Currently, the Survey of Income and Program Participation (SIPP) asks similar questions in its Real Estate, Shelter Costs, Dependent Care, and Vehicles Topical Module.² The Panel Study of Income Dynamics (PSID) also periodically has included such questions.³

At least two problems exist with interpreting second home ownership data from these surveys. First, the prop-

erty ownership questions often include properties that clearly are not second homes, such as vacant land. Second, because second home ownership is often a partnership or timeshare arrangement, the surveys identify the number of owners, not the number of properties.

The SIPP initially inquires about rental properties only and asks respondents to specify if the property is a “vacation home,” “other residential property,” “commercial property,” or one of several other options. Questions later in the survey address nonrental real estate, asking whether the respondents “own other real estate such as a vacation home or undeveloped lot? Exclude rental property.”⁴ At the end of 2001, members of 8.1 million households indicated that they owned nonrental real estate (Beckett et al. 1988; Fitzgerald et al. 1998).⁵ This figure is an overestimate of the number of second homes, however, because the SIPP definition includes nonrental properties such as vacant land, does not specifically rule out nonrental nonresidential real estate, and suffers from the fact that multiple people can report owning the same home due to partnerships and timeshares.

The 2001 PSID asks, “Do [you/you or your family] have any real estate other than your main home, such as a second home, land, rental real estate, or money owed to you on a land contract?” For those who respond yes, the survey then asks, “Does that include a second home?” In all, 17.5 million said that they owned some type of real estate, and 7.3 million households indicated that they owned second homes. As with the SIPP count, the PSID second home ownership count is subject to multiple owner bias. In addition, reason exists to suspect that the PSID overrepresents high-income households.⁶

The 1995 AHS determined that 9.1 million households owned additional residential housing, 3.1 million of these households stayed at least one night during the past year in other units they owned, and 1.9 million used their extra units for recreational purposes.⁷ Because the 1995 AHS included information on multiple ownership, its findings illustrate the magnitude of difference between counts of owners and counts of properties. Of the 1.9 million households owning recreational units, only 1.6 million owned at least a half interest in the unit. Of the 3.1 million households that stayed at least one night in an extra unit (that is, in an additional residential unit beyond the primary residence), 2.8 million owned a majority interest.

One tentative conclusion is that the AHS figure of 1.6 million households owning at least 50 percent of a “recreational” unit is less than the actual number of households that own second homes. As already noted,



Exhibit 1. Types and Quantities of Vacant and URE Units

	American Housing Survey		Housing and Vacancy Survey	
	Number (1,000s)	Percent	Number (1,000s)	Percent
For rent	2,743	21.3	3,203	22.1
For rent or sale	172	1.3		
For sale	1,243	9.7	1,301	9.0
Rented, not yet occupied	268	2.1	437	3.0
Sold, not yet occupied	463	3.6	445	3.1
Other	2,293	17.8	2,579	17.8
Migratory	62	0.5	47	0.3
Second homes	5,610	43.6	6,459	44.6
Seasonal—summer	1,051	8.2	1,710	11.8
Seasonal—winter	443	3.4	599	4.1
Other seasonal	733	5.7	789	5.5
Occasional use	1,541	12.0	1,887	13.0
URE	1,842	14.3	1,474	10.2
Total vacant or URE	12,855		14,470	

URE = usual residence elsewhere.

Source: 2001 American Housing Survey National File; 2001 Housing and Vacancy Survey File

Exhibit 2. Classification of Open-ended Responses Specifying Reason for “Other Vacant” Housing Unit

	Number in Sample	Weighted*	
		Number (1,000s)	Percent
Occasional use	9	32	1.2
Owner away for long period (e.g., in military, in jail, overseas)	12	64	2.5
Owner died, moved in with children, or bankrupt, or court proceedings are ongoing	87	435	16.9
For sale, for rent, or sold and not yet occupied	6	36	1.4
Under renovation or to be put on market eventually	89	493	19.1
Military, student, or religious housing; not currently occupied	9	30	1.2
Abandoned or to be demolished	56	314	12.2
Former residence	11	50	1.9
Used for storage	55	228	8.9
Reason unclear (e.g., don't know, held off market)	125	659	25.5
No response	41	238	9.2
Total	500	2,579	100.0

* Weighted using Housing and Vacancy Survey (HVS) sample weights and benchmarked to 2003 total from Exhibit 1.

Source: Author's classification of random sample of 500 cases from 2003 HVS File

the count of 1.6 million households is much lower than the SIPP and PSID estimates of 7 to 8 million; the difference appears too large for the previously mentioned biases to explain. The AHS figure is also less than that provided using the most straightforward definition of a second home: the 2.8 million units where the majority owners spent at least one night over the last year. The AHS last collected information about the ownership of extra properties in 1995 but continued to count the units themselves.

Identifying Second Home Properties

Another way to calculate the number of second homes is to count all housing units, and then classify them into one of three categories: occupied, temporarily occupied by people whose usual residence is elsewhere (URE units), or vacant. To further classify vacant units into subcategories such as for rent, for sale, or occupied seasonally or occasionally, the interviewer can ask a neighbor or other informant. Exhibit 1 displays counts for the various types of unoccupied units from the AHS and the Housing and Vacancy Survey (HVS).⁸ The AHS and HVS figures are roughly in line, especially when considered as a percentage of the total vacant and URE unit stock. The “Second Homes” section lists the seasonal, occasional use, and URE units often defined as “second homes” (Carliner 2002).⁹ By this measure, the AHS counts 5.6 million second homes, and the HVS calculates 6.5 million.

One difficulty with interpreting Exhibit 1 is that many of the 2.3 million units classified as “other”—18 percent of all vacant units—may also be second homes. If all these “other” vacant units were second homes, the second home count would increase to nearly 8 million. Fortunately, the HVS includes an open-ended question to ascertain why the unit is vacant. Although the responses are not available to the public, the Census Bureau’s internal files record them; these reasons can be examined to determine which vacant units classified as “other” can be considered second homes.

Exhibit 2 presents a new classification for the “other” vacant units’ open-ended responses, based on a 500-case random sample drawn from the 2003 HVS for this article. The open-ended responses rarely contain any indication, even liberally interpreted, to categorize a unit as a second home, with only 1 percent of the units classified as “occasional use.” Most units appear to require major renovations (12 percent abandoned and 19 percent undergoing renovations; distinguishing

between these two options can be difficult). More than one-quarter are in some uncertain state: 17 percent are in probate or not disposed of after the death or moving of an elderly owner, 9 percent are used for storage, 3 percent have an owner who is away for a long period, and 2 percent are listed only as a former residence. For 35 percent of the units, no or no useful response exists.

The credibility of the information source consulted to classify properties is a critical factor in determining the validity of a “second home” estimate based on counting properties. The respondent asked to classify a vacant unit for seasonal or occasional use may have limited information. In contrast, the validity of units classified as URE is very strong because the classifier was the owner or renter and was presumably well informed about the unit’s status.

Exhibit 3 lists the types of people who classified vacant units as being for seasonal or occasional use. The interviewer contacted the owner, presumably the best source of information, in 31 percent of the cases. In about 15 percent of the cases, the respondent was a manager or real estate agent, both of whom would also be well informed. A neighbor was the information source in 28 percent of the instances. “Other,” accounting for 24 percent of responses, is likely to be less reliable than the aforementioned respondents. Oddly, 1.5 percent of responses come from a “URE occupant,” suggesting that these units should have been classified as URE rather than vacant, although they would still be second homes for the purpose of this study. Overall, approximately 64 percent of “second home” classifications were based on fairly credible informants—owners, renters, real estate agents, and property managers.

Exhibit 3. Type of Respondent at Vacant Units for Seasonal or Occasional Use

	Number (1,000s)	Percent
Owner	1,173	31.1
Manager	418	11.1
Neighbor	1,051	27.9
Real estate agent	136	3.6
URE occupant	55	1.5
Other	916	24.3
Don't know, no response	19	0.5
Total	3,768	100.0

URE = usual residence elsewhere.
Source: 2001 American Housing Survey National File



Reasons for Second Home Ownership

The purpose for owning the second unit is a refinement of the “second homes” estimate that some authors have reported. Since 1999, the AHS has included this question to determine the reason for second home ownership (for URE and seasonal/occasional use vacancies): “Which of the following reasons is why the owner owns this [housing unit]?”¹⁰ Exhibit 4 cross-tabulates ownership reason with the various types of vacant and URE units for which this followup question was asked.

Although respondents can give multiple responses, the columns in Exhibit 4 show only one answer; columns (categories) on the left supersede categories on the right. For example, answers of both “recreational purposes” and “investment purposes” are coded as “recreational purposes” only. Only 10 percent of respondents, however, provided more than one answer. This low number may be due to the question’s wording, which is singular (“which of the following reasons *is*”), rather than plural, and therefore does not elicit many multiple responses.

Overall, 3.0 million second homes—53 percent of the total—are listed as owned for “recreational purposes.” These units surely would be classified as second homes by most. Interestingly, this number is not far different from the 1995 AHS figure of 2.8 million households

owning a majority interest in a second home in which they stayed for at least one night over the past year. Although these figures came from surveys administered 6 years apart, the stock of second homes grows relatively slowly.¹¹ Yet, these counts are almost twice the 1.6 million households that owned at least a half interest in a second home for recreational purposes in 1995.

Homes owned for recreational purposes appear to fit quite closely with the conventional notion of a second home. Whether the other categories of homes can also be considered second homes, however, is not as clear. Logically, a second home can also be inherited, used for investment purposes or additional income, or be for sale. As noted, although the “reason why” question allows multiple responses, it cannot be assumed that homes reported as for investment purposes only are not also second homes used for recreational purposes. Many respondents may provide a single response to minimize cognitive effort, especially when the question’s wording invites them to do so. In addition, a previous usual residence may be the former home of someone now mostly living in a resort area, and so ought to count as a second home.¹²

More than one-fifth of the reasons for owning an extra housing unit (22 percent) fall in the “other” category; these responses warrant a closer examination to determine if any of these units are second homes. In 2003, the AHS began collecting open-ended responses to the

Exhibit 4. Type of Second Home and Reason for Ownership

		Recreational Purposes	Investment Purposes	Previous Usual Residence	Inherited	Owner Wants To Sell	Some Other Reason*	Total
Occasional use	(1,000s) (%)	664 43.1	97 6.3	286 18.6	66 4.3	14 0.9	413 26.8	1,541 100
Seasonal—summer	(1,000s) (%)	791 75.3	52 5.0	31 3.0	29 2.8	4 0.4	143 13.6	1,051 100
Seasonal—winter	(1,000s) (%)	288 64.9	23 5.1	12 2.8	0 0.0	9 2.0	112 25.2	443 100
Other seasonal	(1,000s) (%)	311 42.4	49 6.7	96 13.1	50 6.9	4 0.6	222 30.3	733 100
URE	(1,000s) (%)	920 50.0	317 17.2	172 9.4	76 4.1	6 0.4	350 19.0	1,842 100
Total	(1,000s) (%)	2,974 53.0	538 9.6	599 10.7	222 4.0	38 0.7	1,240 22.1	5,610 100

* Includes no response. URE = usual residence elsewhere.

Note: Multiple responses to reason for ownership are recoded to be mutually exclusive in the order in which they appear in the table, from left to right. Recreational Purposes supersedes all others.

Source: 2001 American Housing Survey National File

Exhibit 5. Classification of Open-ended Responses Specifying “Other Reason” for Owning Vacant/URE Housing Unit

	Number in Sample	Weighted*	
		Number (1,000s)	Percent
Recreational or occasional use	156	350	36.4
Owner away for long period (e.g., in military, in jail, overseas)	—	—	—
Owner died, moved in with children, or bankrupt, or court proceedings are ongoing	13	28	2.9
For sale, for rent, or sold and not yet occupied	8	19	2.0
Held for future use, under renovation or to be put on market eventually	20	43	4.5
Student, or religious, not currently occupied	17	44	4.6
Abandoned or to be demolished	6	15	1.6
Former residence, inherited, or came with property	25	54	5.6
Used for storage	16	34	3.6
Reason unclear (e.g., don’t know, held off market)	54	116	12.0
For business purposes (e.g., commuting, temporary housing, model home)	25	54	5.6
No response	92	204	21.3
Total	432	962	100.0

* Weights are preliminary. URE = usual residence elsewhere.
 Source: Author’s classification of respondents reporting only “other reason” for owning a vacant/URE unit in 2003 American Housing Survey National File

“other” category. Exhibit 5 reports on a new classification of the open-ended responses. Of the units in the “other” category, 36 percent were classified as being for recreational or occasional use—that is, second homes. Many open-ended responses simply repeat a vacancy category, such as “for winter use.” Perhaps a number of these units are occupied seasonally, but the respondents do not consider their time in the unit to be “recreational.” They may occupy the unit for an extended portion of the year, rather than for only a short vacation.¹³ Overall, approximately 450,000 (36.4 percent of 1,240,000) of the units held for “other” reasons can be counted as second homes. This adjustment raises this second home estimate from 2,974,000 to 3,424,000.

Conclusion

A simple and objective estimate of the number of second homes is the number of units occupied for at least one night in the past year by a household owning at least 50 percent of the title—2.8 million in 1995. This figure is similar to the 3.0 million units (URE or for

seasonal/occasional use) reported for recreational use in 2001 (PSID) despite the fact that “recreational” is a somewhat subjective classification. Adding to the 3.0 million an estimate of units owned for “other” reasons raises this figure to 3.4 million units. Finally, counting all the URE and seasonal or occasional use units totals 5.6 million. At the same time, other surveys indicate that 7 million households own at least a share in a second home (2001 PSID) or that 8 million own some nonrental real estate (2001 SIPP). The number of second homes seems to depend on what classification is being measured.

Notes

¹ The American Housing Survey (AHS), a national survey conducted by the Census Bureau for the Department of Housing and Urban Development, is administered to about 48,000 housing units every 2 years and focuses on housing conditions. For a detailed description of the AHS, visit <http://www.census.gov/hhes/www/ahs.html>.

² The 2001 Survey of Income and Program Participation (SIPP) is a national panel survey conducted by the Census Bureau



that will follow 37,000 households for 3 years. For a detailed description of SIPP, visit <http://www.sipp.census.gov/sipp/intro.html>.

³ The Panel Study of Income Dynamic (PSID) is a national panel survey conducted by the University of Michigan that has followed about 8,000 households since 1968. For a detailed description of the PSID, visit <http://psidonline.isr.umich.edu>.

⁴ Strictly speaking, the SIPP question about nonrental real estate does not exclude nonresidential real estate, and it is possible that it captures some nonrental nonresidential real estate.

⁵ An additional 3.9 million households indicated they owned some rental property, including 200,000 vacation homes. In all, 12 million indicated they owned some sort of residential property (rental or not).

⁶ The PSID sample was drawn in 1968; several studies have documented that participants of low socioeconomic status were more likely than those of high socioeconomic status to drop out of the sample over time (Beckett et al. 1988; Fitzgerald et al. 1998). Although the sample weights are intended to account for this differential attrition, some reason exists for concern that the weights are inadequate. In particular, the PSID sample has poverty rates about a third lower than the Current Population Survey (CPS).

⁷ These categories are not mutually exclusive.

⁸ The Housing and Vacancy Survey (HVS) is conducted monthly in conjunction with the Current Population Survey (CPS) by the Census Bureau for the Bureau of Labor Statistics and is the primary source of U.S. vacancy statistics.

⁹ The figures in this study differ from those published by the Census Bureau because of the treatment of seasonally occupied URE units. In this article, seasonal URE units are included in the URE category; usual Census Bureau practice is to group these units with seasonal vacant units.

¹⁰ From 1985 to 1995, occupants who reported owning “extra” units were asked similar questions.

¹¹ From 1995 to 2001, the stock of seasonal/occasional/URE units declined by 4 percent in the AHS finding, and increased by 15 percent in the HVS results.

¹² Different analysts might debate which unit is the second home—the former residence or the resort-area unit. It is clear, however, that one of the pair should be counted, and counting the unit that is currently vacant or URE seems as reasonable as the opposite.

¹³ The remaining responses are much like the open-ended responses to “other” vacant units: they are uninformative (e.g., “no response”), or they suggest the unit has fallen into disuse (e.g., “used for storage”) or is in transition (e.g., “in probate”).

References

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